Taiga Building Products Ltd.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Taiga Building Products Ltd.

Opinion

We have audited the consolidated financial statements of Taiga Building Products Ltd. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters, that in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Matter was Addressed in the Audit
Revenue recognition The Company's disclosure related to revenue recognition is included in Note 3. The Company derives substantially all of its revenue from the wholesale of building products in Canada, the United States and overseas. Revenue is recognized at a point in time, when control of the products has been transferred to the customers, which is either when the products are shipped to the customers, in instances where the customers arrange for shipments, or when delivery is made, in instances where the Company arranges for shipments. For the year ended December 31, 2020, the Company recognized revenue of $1,589 million from the wholesale of building products. Revenue is comprised of a high volume of transactions that are generated from multiple locations. The Company has volume-based incentive agreements which are specific to product lines and customer groups. We considered this as a key audit matter due to the magnitude of the revenues and the volume of the transactions resulting in significant audit effort.	In obtaining sufficient audit evidence, the following procedures have been performed: • We evaluated the design and implementation of internal controls relating to revenue and tested the operating effectiveness. • Performed analytical procedures to identify unusual fluctuations. • For a sample of revenue transactions throughout the year we performed detail transaction testing by agreeing the amounts recognized to source documents and testing the mathematical accuracy of the recorded revenue. • For a sample of transactions before and after the reporting period end date we tested that revenue was recognized in the same period as the point in time when control of the product was transferred to the customer. • For a sample of revenue transactions, we recalculated the amount of rebates accrued using the terms of the customer incentive agreements. • For a sample of management journal entries posted to revenue accounts we agreed the adjustments to supporting evidence for appropriateness. • Reviewed credit notes issued subsequent to the year end and ascertained that revenue was adjusted appropriately.

Impairment of non-financial assets – Exterior Wood, Inc., Cash Generating Unit (“CGU”)	
The Company disclosures related to Goodwill are included in Notes 3, 4 and 9. As at December 31, 2020, goodwill recorded on the balance sheet with respect to the acquisition of Exterior Wood, Inc. on July 31, 2018 amounted to $9.957 million. IAS 36, *Impairment of Assets* requires goodwill to be tested for impairment annually and whenever there is an indication that goodwill may be impaired. In performing the impairment assessment of the carrying amount of goodwill, the recoverable amounts of cash-generating units (“CGU”) to which goodwill has been attributed, are determined using value-in-use calculations using discounted cash flows, which involved significant judgements in estimating the gross margin and profit margin, expected growth rate and discount rate. We considered this as a key audit matter due to the significant management estimates and judgments required in determining the recoverable amount of the CGU. Audit procedures to evaluate the reasonableness of management’s estimates and assumptions related to expected growth rate, estimated gross margin and profit margin and the selection of the discount rate required a high degree of auditor judgment and an increased extent of effort, including the need to involve our valuation experts and was based on assumptions that are affected by future market and economic conditions.	We have discussed with management and with the assistance of our valuation experts, we have carried out the following procedures: • Critically evaluated whether the methodology used by management to determine the recoverable amount of goodwill complies IAS 36, *Impairment of Assets*. • Tested the reasonableness of the expected growth rates and gross margins and profit margins used in the value-in-use calculation to determine whether they are reasonable and that assumptions used are supportable taking into consideration the CGU’s current and past performance, and expectations of market developments, as well as the business climate for the building products industry. • With the assistance of our valuation expert, we evaluated the reasonableness of the valuation methodology and the discount rate by testing the information underlying the determination of the discount rate and the mathematical accuracy of the calculation and by developing a range of independent estimates and comparing those to the discount rate selected by management. • Calculated the impact to the recoverable amounts when reasonable possible changes to the key assumptions are made. • Reviewed the adequacy of the disclosures made in relation to the impairment assessment of goodwill in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

February 25, 2021

TAIGA BUILDING PRODUCTS LTD.
Consolidated Balance Sheets

(in thousands of Canadian dollars)	December 31, 2020	December 31, 2019
Assets		
Current:		
Accounts receivable (Note 5)	$ 136,786	$ 85,334
Inventories (Note 6)	189,979	157,259
Prepaid expenses	3,373	2,814
	330,138	245,407
Property, plant and equipment (Note 7)	119,380	123,431
Intangible assets (Note 8)	14,422	15,836
Goodwill (Note 9)	9,957	10,158
Deferred tax assets (Note 13)	267	190
	$ 474,164	$ 395,022
Liabilities and Shareholders' Equity		
Current:		
Revolving credit facility (Note 10)	$ 8,742	$ 40,968
Accounts payable and accrued liabilities (Note 12)	122,845	64,650
Income taxes payable	4,369	13,977
Current portion of long-term debt (Note 11)	638	7,353
Current portion of lease obligations (Note 14)	4,430	4,431
	141,024	131,379
Long-term debt (Note 11)	7,447	10,524
Lease obligations (Note 14)	91,146	92,036
Deferred gain	2,481	2,600
Deferred tax liabilities (Note 13)	14,076	5,727
Provisions (Note 15)	471	572
Subordinated notes (Note 16)	12,500	12,500
	269,145	255,338
Shareholders' Equity:		
Share capital (Note 17)	124,048	127,278
Accumulated other comprehensive income (Note 17)	3,261	5,522
Retained earnings	77,710	6,884
	205,019	139,684
	$ 474,164	$ 395,022

Commitments and contingencies (Note 21)
Subsequent event (Note 27)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Directors

/s/ Ian Tong	/s/ Garson Lee
Chairman	Director

TAIGA BUILDING PRODUCTS LTD.

Consolidated Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)		Year ended December 31, 2020		2019
Sales (Note 25)	$	1,589,123	$	1,299,122
Cost of sales (Note 18)		1,363,953		1,169,666
Gross margin		225,170		129,456
Expenses:				
Distribution (Note 18)		26,843		25,835
Selling and administration (Note 18)		95,648		56,940
Finance (Note 19)		8,450		10,157
Subordinated debt interest (Note 16)		875		875
Canada Emergency Wage Subsidy (Note 20)		(2,919)		-
Other income		63		(202)
		128,960		93,605
Earnings before income tax		96,210		35,851
Income tax expense (Note 13)		25,384		9,946
Net earnings for the year	$	70,826	$	25,905
Other comprehensive income (loss)				
Exchange differences on translating foreign controlled entities	$	(2,261)	$	(3,081)
Total comprehensive income for the year	$	68,565	$	22,824
Basic and diluted net earnings per common share	$	0.64	$	0.23
Weighted average number of common shares outstanding		110,269		114,477

The accompanying notes are an integral part of these consolidated financial statements.

TAIGA BUILDING PRODUCTS LTD.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2019

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2018	$ 131,432	$ (21,729)	$ 8,603	$ 118,306
Net earnings	-	25,905	-	25,905
IFRS 16 adoption adjustment	-	2,708	-	2,708
Shares purchased under the NCIB and cancelled (Note 17)	(4,154)	-	-	(4,154)
Other comprehensive income	-	-	(3,081)	(3,081)
Balance at December 31, 2019	$ 127,278	$ 6,884	$ 5,522	$ 139,684

For the year ended December 31, 2020

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	$ 127,278	$ 6,884	$ 5,522	$ 139,684
Net earnings	-	70,826	-	70,826
Shares purchased under the NCIB and cancelled (Note 17)	(3,230)	-	-	(3,230)
Other comprehensive income	-	-	(2,261)	(2,261)
Balance at December 31, 2020	$ 124,048	$ 77,710	$ 3,261	$ 205,019

The accompanying notes are an integral part of these consolidated financial statements.

TAIGA BUILDING PRODUCTS LTD.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	For the years ended December 31, 2020	2019
Cash provided by (used in):		
Operating:		
Net earnings	$ 70,826	$ 25,905
Adjustments for non-cash items		
Amortization	11,369	10,791
Income tax expense	25,384	9,946
Mark-to-market adjustment on financial instruments	64	188
Change in provisions	(101)	(96)
Loss on asset disposal	192	1
Amortization of deferred gain	(119)	(119)
Finance and subordinated debt interest expense	9,325	11,032
Interest paid	(7,103)	(9,306)
Income tax paid	(25,237)	(6,351)
Changes in non-cash working capital (Note 24)	(32,439)	233
Cash flows from operating activities	52,161	42,224
Investing:		
Purchase of property, plant and equipment	(2,827)	(1,840)
Proceeds from disposition of property, plant and equipment	22	175
Cash flows used in investing activities	(2,805)	(1,665)
Financing:		
Decrease in revolving credit facility	(30,907)	(21,135)
Repayment of long-term debt	(9,792)	(9,750)
Repayment of lease obligations	(4,552)	(4,645)
Subordinated notes interest paid	(875)	(875)
Repurchase of common shares	(3,230)	(4,154)
Cash flows used in financing activities	(49,356)	(40,559)
Cash and cash equivalents - end of period	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

Taiga Building Products Ltd. (“Taiga” or the “Company”) is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company’s shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures had the following impacts on the Company’s operations, among others: Sales declined by over 30% for the month of April 2020, however subsequent to this revenues have recovered and exceeded projections for the remainder of 2020. The extent to which these events may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine the ultimate financial impacts at this time. However, the Company recognizes that there will be economic and financial challenges for the foreseeable future.

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue on February 25, 2021 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

3. Significant Accounting Policies

(a) Inventories

Inventories consist of allied building products, lumber products, panel products and production consumables. Inventories include other costs, such as transportation and processing that are directly incurred to bring the inventories to their present location and condition. The cost of treated wood includes the cost of lumber, direct labour and an allocation of fixed and variable overhead expenses. Inventories are stated at the lower of average cost and net realizable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realizable value.

For the years ended December 31, 2020 and 2019 (in Canadian dollars)

(b) Property, Plant and Equipment

The following assets are recorded at cost and amortization is provided using the following methods and annual rates:

Declining Balance Method	
Buildings	4% - 10%
Furniture and office equipment	8% - 30%
Warehouse equipment	10% - 30%
Straight-line Method	
Leasehold improvements	Over term of lease
Treating equipment	20 - 25 Years
Computer system and license	3 - 10 Years

The carrying values of the buildings and equipment are reviewed for indicators of impairment on a regular basis by reference to their estimated recoverable amount. Assets that are not yet available for use are not being amortized.

(c) Deferred Gain

The deferred gain relates to proceeds in excess of the net book value of certain buildings sold in the sale and leaseback transactions completed during the years ended March 31, 2014 and 2006. The deferred gain is amortized over the lease terms of the buildings. Amortization is included in other income.

(d) Business Combinations and Goodwill

Business combinations are accounted for by applying the acquisition method, whereby assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business are measured at fair value at the date of acquisition. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date, except for deferred tax assets and liabilities which are measured in accordance with IAS 12, Income Taxes, and non-current assets which are classified as held-for-sale in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and are recognized and measured at fair value, less costs to sell. To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the difference is recognized in income immediately as a gain on bargain purchase. Goodwill is subsequently measured at cost less accumulated impairment losses. Acquisition costs associated with business combination activities are expensed in the period incurred.

(e) Intangible assets

All intangible assets acquired by the Company through business acquisitions are recorded at fair value on the date of acquisition. Intangible assets that have indefinite lives are measured at cost less accumulated impairment losses. Intangible assets that have finite useful lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are comprised of brand recognition and customer relationships, which are amortized on a straight-line basis over 15 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of the remaining economic useful lives of the associated intangible assets.

(f) Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income. Current income taxes relating to items recognized directly in other comprehensive income or equity are recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(g) Foreign Currency Translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of controlled entities that have operations in the United States is the United States dollar while the functional currency of controlled entities that have operations in Canada is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of earnings and comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of earnings and comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position and results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date; and
- income and expenses are translated at monthly average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive income in the statement of earnings and comprehensive income. These differences are recognized in profit or loss in the period in which the operation is disposed.

(h) Earnings Per Share

Earnings per share is calculated using the weighted-average number of shares outstanding for the period. The weighted-average number of common shares is determined by reference to the portion of time during the reporting period that the shares have been outstanding to the total time in the period.

Diluted earnings per share is calculated based on the weighted-average number of common shares outstanding during the period including, if applicable, the effects of potentially dilutive common share equivalents. Taiga's basic and diluted earnings per share are equal as Taiga has no potentially dilutive instruments.

(i) Accounting for Certain Consideration Received from a Vendor

Consideration received from a vendor, that represents a reduction in the purchase price of inventory, is recorded as a reduction in cost of sales.

(j) Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset, or its cash generating unit, is estimated in order to determine the extent of impairment. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of earnings and comprehensive income.

The recoverable amount of the asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Reversals cannot increase the carrying value of an asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. An impairment loss for goodwill is never reversed.

(k) Provisions

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate.

(l) Financial Instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The

Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	**Classification**
Revolving credit facility	Amortized cost
Accounts receivable	Amortized cost
Lumber futures	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Subordinated notes	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of earnings and comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of earnings and comprehensive income in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of earnings and comprehensive income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets:

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of earnings and comprehensive income.

(m) Revenue Recognition

The Company follows the requirements of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) as follows:

The Company distributes building products to supply yards, building product retailers and industrial manufacturers. Sales are recognised when control of the products has transferred to the Company’s customers, being when the products are shipped to the customer in instances where the customer arranges for shipment or upon delivery for instances in which the Company arranges for shipment. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Once products are delivered to the Company’s customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A portion of the Company’s sales take place on a consignment basis, where the Company will deliver inventory to customer locations that has not yet been purchased. The revenue from these sales is recognized when the customer purchases the inventory.

The Company’s products are sold with volume discounts based on aggregate sales over set periods. Revenue from these sales is recognised based on the price agreed upon for each order, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with credit terms standard for the market. The Company’s obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Historically, the Company’s annual returns for products sold have been negligible.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(n) Leases

Effective January 1, 2019, the Company adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company’s accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 25 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(o) Newly adopted accounting policies

The Company adopted IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20") to account for the Canada Emergency Wage Subsidy (CEWS) program created by the Government of Canada. The Company recognizes government subsidies on an accrual basis when there is reasonable assurance that it will comply with the conditions required to qualify for the subsidy and that the collection of the subsidy is also reasonably assured. Government subsidies are recognized on the consolidated statements of earnings and comprehensive income over the periods in which the expense that the subsidy is intended to offset are incurred.

4. Critical Accounting Estimates, Assumptions and Judgements

(a) Significant Estimates and Assumptions

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below.

Allowance for doubtful accounts:

While significant bad debts have not been experienced in prior years the allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance for bad debts.

Valuation of inventories:

Inventories are valued at the lower of average cost and net realizable value. Taiga evaluates inventory balances at each balance sheet date and records an allowance as necessary for slow moving or obsolete inventory. Additionally, Taiga records an allowance if the cost of inventories exceeds net realizable value based on commodity prices.

Valuation and estimated life of long-lived assets:

An impairment test is performed by comparing the carrying amount of the asset or its cash generating unit to the recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates. The Company performs an impairment test at least annually for goodwill and for other assets if indicators exist.

The estimated useful lives and recoverable amounts of long-lived assets are based on judgement and the best currently available information. Changes in circumstances can result in the actual useful lives differing from the current estimates.

Customer rebates:

Customer rebates are commonly offered as industry practice and are generally based on achievement of specified volume sales levels. Taiga accrues for the payment of customer rebates as a reduction of revenue based on management's estimates.

Valuation of warranty provisions:

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

Current and deferred taxes:

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities and ultimately until they are statute barred from reassessment. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax filings, resolution of uncertain tax positions, open years or tax disputes that may arise.

The Company must make estimates and assumptions when assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Taiga also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future sales volumes and housing starts, commodity prices, operating costs, capital expenditures, dividends and other capital transactions. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income.

Goodwill:

Management uses judgement in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2020 relates to the Company's acquisition of Exterior Wood, Inc. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its recoverable amount, the higher of the fair value less cost of disposal and the value-in-use related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 9).

(b) Significant Judgements in Applying Accounting Policies

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements in applying the Company's consolidated financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the determination if the Company is reasonably certain to exercise its renewal options on its leases
- the determination of the functional currency of the parent company and its controlled entities;
- the identification of cash generating units for the purpose of performing impairment tests of goodwill; and
- the assessment of continually changing tax interpretations, regulations and legislation, to ensure that deferred income tax assets and liabilities are complete and fairly stated.

5. Accounts Receivable

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Current	131,606	83,131
Past due over 60 days	1,630	756
Trade accounts receivable	133,236	83,887
Other receivables	5,307	2,473
Allowance for doubtful accounts	(1,757)	(1,026)
Total	136,786	85,334

All of the Company's trade accounts receivables are pledged as security for the revolving credit facility (Note 10).

6. Inventories

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Allied building products	36,290	28,041
Lumber products	120,114	100,913
Panel products	32,319	27,575
Production consumables	1,296	885
Inventory allowance	(40)	(155)
Total	189,979	157,259

All of the Company's inventories are pledged as security for the revolving credit facility (Note 10).

7. Property, Plant and Equipment

(in thousands of dollars)	Land and buildings	Furniture and office equipment	Warehouse and treating equipment	Leasehold improvements	Computer system and license	Total
Cost						
Balance, December 31, 2018	49,977	3,906	22,705	15,188	9,685	101,461
Additions	11	486	2,070	194	593	3,354
Impact of adoption of IFRS 16	59,710	-	2,452	-	-	63,162
Disposals	-	-	(404)	(58)	-	(462)
Exchange effect	(883)	(54)	(338)	(278)	(15)	(1,568)
Balance, December 31, 2019	108,815	4,338	26,485	15,046	10,263	164,947
Additions	34	1,153	970	207	463	2,827
ROU additions	1,822	49	2,312	-	-	4,183
Transfers	-	-	4,025	(4,360)	335	-
Disposals	-	(959)	(1,939)	(433)	(18)	(3,349)
ROU disposals	(167)	-	(302)	-	-	(469)
Exchange effect	(543)	(81)	(1,830)	1,561	(28)	(865)
Balance, December 31, 2020	109,961	4,500	29,721	12,021	11,071	167,274

Accumulated Amortization						
Balance, December 31, 2018	(24,444)	(2,579)	(13,139)	(5,676)	(5,297)	(51,135)
Amortization	(340)	(371)	(1,137)	(552)	(1,009)	(3,409)
Amortization of ROUs	(4,830)	-	(1,473)	-	-	(6,303)
Impact of adoption of IFRS 16	18,657	-	-	-	-	18,657
Disposals	-	-	286	-	-	286
Exchange effect	295	23	48	21	1	388
Balance, December 31, 2019	(10,662)	(2,927)	(15,415)	(6,207)	(6,305)	(41,516)
Amortization	(240)	(447)	(1,902)	(644)	(1,105)	(4,338)
Amortization of ROUs	(5,012)	(8)	(871)	-	-	(5,891)
Disposals	-	880	1,805	433	18	3,136
ROU disposals	167	-	302	-	-	469
Exchange effect	167	35	57	8	(21)	246
Balance, December 31, 2020	(15,580)	(2,467)	(16,024)	(6,410)	(7,413)	(47,894)
Carrying amounts						
Balance, December 31, 2019	98,153	1,411	11,070	8,839	3,958	123,431
Balance, December 31, 2020	94,381	2,033	13,697	5,611	3,658	119,380

The carrying amount of the Company's ROU assets included in the above table are as follows:

Carrying amounts of Right of Use Assets	Land and Buildings	Furniture and office equipment	Warehouse and treating equipment	Leasehold improvements	Computer system and license	Total
Balance, December 31, 2019	90,571	-	3,708	-	-	94,279
Balance, December 31, 2020	87,145	39	3,271	-	-	90,455

Depreciation expense of $5.9 million (December 31, 2019 - $6.3 million) was recognized on the right-of-use assets during the year ended December 31, 2020.

As of December 31, 2020, the development costs of computer systems projects that are not ready for use were $469,066 (December 31, 2019 - $147,979). No amortization has been recognized on the components not available for use.

Included in warehouse and treating equipment is the balance of the construction fund that was recognized on the acquisition of Exterior Wood, Inc., which at December 31, 2020 was $nil (December 31, 2019 - $639,136). This amount, plus other construction-in-progress of $2,633,065 was not subject to amortization in 2019. In 2020 the construction was completed and amortization has commenced.

8. Intangible Assets

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Balance, beginning	15,836	17,813
Amortization	(1,161)	(1,140)
Exchange effect	(253)	(837)
Balance, ending	14,422	15,836

Intangible assets consist of the brand name and customer relationships recognized on the Company's acquisition of Exterior Wood, Inc. during the year ended December 31, 2018.

9. Goodwill

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Balance, beginning	10,158	10,669
Exchange effect	(201)	(511)
Balance, ending	9,957	10,158

Goodwill relates to the Company's acquisition of Exterior Wood, Inc. during the year ended December 31, 2018.

The Company performed its annual test for goodwill impairment as at October 31, 2020. The Company did so by comparing the carrying value of the cash generating unit against its value-in-use.

The value-in-use of the cash-generating unit requires the use of assumptions. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 3%. The value-in-use calculation includes cash flows relating to sustaining capital expenditures and working capital based on historical activity. Cash flows are discounted using an after-tax discount rate of 11%.

The value-in-use of the Exterior Wood, Inc. cash generating unit was determined to be higher than its carrying amount and therefore no impairment was recorded.

10. Revolving Credit Facility

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Revolving credit facility	9,563	42,126
Financing costs, net of amortization	(821)	(1,158)
Total	8,742	40,968

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $225 million to $250 million, with an option to increase the limit by up to $50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately $23 million at favourable rates. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at December 31, 2020.

11. Long-term Debt

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Long-term debt	8,085	17,877
Less: Current portion	(638)	(7,353)
Non-Current portion	7,447	10,524

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). As part of the Facility, additional term loans were authorized and the Company drew upon two separate term loans (Term A and Term B) to fund the acquisition of Exterior Wood, Inc. in 2018. The long-term debt bears interest at variable base rates plus variable margins tied to the Company's existing Facility. The long-term debt is secured partially by the real property of one of the Company's US subsidiaries.

The Term A loan is for $7.5 million USD and matures on August 31, 2033. The monthly principal installment is US$41,778. The Term B loan is for $15.5 million USD and matures on August 31, 2021. The monthly principal instalment was US$430,000. The Company repaid the entire balance owing under the Term B loan during the fiscal year ended December 31, 2020.

A continuity of long-term debt is as follows:

	December 31, 2020	December 31, 2019
Balance, beginning	17,877	28,802
Repayments	(9,944)	(9,750)
Foreign exchange	152	(1,175)
Balance, ending	8,085	17,877

12. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	December 31, 2020	December 31, 2019
Trade payables and accrued liabilities	81,357	53,922
Payroll related liabilities	40,538	10,026
Provisions (Note 15)	754	570
Financial instrument liabilities (Note 23)	196	132
Total	122,845	64,650

13. Income Taxes

Income tax expense is comprised of:

(in thousands of dollars)	December 31, 2020	December 31, 2019
Current:		
Current taxes for the year	15,092	16,873
Adjustments to tax provisions recorded in prior periods	1,038	38
Total current tax expense	16,130	16,911
Deferred:		
Origination and reversal of temporary differences	9,710	(7,279)
Adjustments to tax provisions recorded in prior periods	(422)	312
Effect of change in tax rates	(31)	(34)
Other taxes	-	36
Change in realizability of deferred tax assets	(3)	-
Total deferred tax expense	9,254	(6,965)
Income tax expense	25,384	9,946

A reconciliation of the income taxes calculated at the statutory rate to the actual income tax expense is as follows:

(in thousands of dollars)	December 31, 2020	December 31, 2019
Net earnings before income tax	**96,210**	**35,851**
Statutory income tax rate	26.44%	26.94%
Expected income tax expense based on statutory rate	25,438	9,658
Tax effect of:		
Non-deductible interest and other permanent differences	(510)	1
Difference in foreign tax rates	(126)	(65)
Adjustments to tax provisions recorded in prior periods	616	350
Other taxes	-	36
Effect of change in tax rate	(31)	(34)
Change in realizability of deferred tax assets	(3)	-
Income tax provision	25,384	9,946

For the year ended December 31, 2020, income tax credited to other comprehensive income was $339,941 (year ended December 31, 2019 – credited $448,008).

Deferred income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes and differences between the carrying amount and tax basis of assets recognized on the acquisition of Exterior Wood, Inc. Significant components of the deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities):

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Other reserves	(1,421)	(836)
Deferred gain on sale and leaseback	611	611
Property, plant and equipment	(1,463)	(1,379)
Intangible assets	(3,583)	(3,934)
Non-capital losses	1	1
Deferred income from partnership	(7,954)	-
Net deferred tax asset (liability)	(13,809)	(5,537)

Deferred income tax assets and liabilities are offset to the extent that they relate to the same taxable entity and the same jurisdiction as follows:

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Deferred tax assets	267	190
Deferred tax liabilities	(14,076)	(5,727)
Net deferred tax asset (liability)	(13,809)	(5,537)

The movement on the net deferred income tax assets and liabilities is as follows:

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Beginning	(5,537)	(11,520)
Deferred tax expense recorded in profit or loss	(9,254)	6,965
Movement recognized in other comprehensive income	982	(982)
Ending	(13,809)	(5,537)

The Company, in the normal course of business, is subject to ongoing examination by tax authorities in each jurisdiction in which it has operations. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for current and deferred income taxes, as well as the provision for indirect, withholding and other taxes and related penalties and interest. This assessment relies on estimates and assumptions, which involves judgments about future events. It also relies on interpretations of tax law, including general anti-avoidance provisions (GAAR), and prior experience. New information may become available that causes the Company to change its judgment and estimates regarding the adequacy of provisions related to income and other taxes. Any changes will be recorded prospectively in the period that such determinations are made.

14. Leases

A summary of the right-of-use lease obligations is as follows:

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Total minimum lease payments payable	153,129	156,873
Portion representing interest to be expensed over the remaining term of the leases	57,553	60,406
Principal outstanding	95,576	96,467
Less: Current portion	(4,430)	(4,431)
Non-Current portion	91,146	92,036

Right of use asset leases include buildings and operating equipment. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 3.9% to 5.6%.

For the year ended December 31, 2020 expenses for short term leases that were not capitalized as right-of-use assets totalled $186,000 (December 31, 2019 - $527,000). These and future payments are not included in the lease obligations above.

Some of the Company's equipment leases include variable charges based on usage. These variable components are expensed as they are incurred and are not included in the lease obligations.

Some of the Company's land and building leases that were capitalized as right-of-use assets include incremental lease payment increases based on the Consumer Price Index (CPI).

The following is a schedule of future minimum lease payments over the lives of the right-of-use leases:

(in thousands of dollars)	**Year ended December 31, 2020**
2021	9,277
2022	9,000
2023	8,730
2024	8,005
2025	7,938
2026 and thereafter	110,179
Total	153,129
Less: Unearned interest	(57,553)
Total	95,576

A summary of changes in the year follows:

(in thousands of dollars)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Balance, beginning	96,467	-
Lease liability recognized upon adoption of IFRS 16	-	99,114
Additions	4,184	2,593
Disposals	(468)	-
Payments made	(9,464)	(9,235)
Interest expense	4,913	4,590
Exchange impact	(56)	(595)
Balance, ending	95,576	96,467

15. Provisions

Continuity of Provisions:

The following table summarizes the movement in this provision for the year ended December 31, 2020:

(in thousands of dollars)	**Lease provision**	**Other**	**Total**
Balance, beginning	668	570	1,238
Additions to provisions during the year	-	83	83
Used during the year	(128)	-	(128)
Unwinding of discount	32	-	32
Total	572	653	1,225
Included in accounts payable and accrued liabilities (Note 12)	(101)	(653)	(754)
Non-current provisions	471	-	471

Lease Provision:

During September 2009, the Company consolidated its warehouse operations in the Greater Toronto Area by closing a warehouse in Brampton and migrating this operation into its warehouse in Milton. The Brampton warehouse was a leased property, and the land component was accounted for as an operating lease. The Company recorded a provision relating to this property, being the present value of the unavoidable net costs to the Company of exiting the lease. The final transaction to exit the lease was completed on May 31, 2012;

however, there is a requirement to make ongoing payments to the lessor relating to this transaction which is reflected in the provision. The present value was determined using a pre-tax discount rate of 5.14%.

16. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company's Subordinated Notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The Subordinated Notes are not listed on any stock exchange. Interest on the Notes is payable on May 17 and November 17 of each year. The aggregate principal amount of the New Notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the year ended December 31, 2020.

17. Shareholders' Equity

(a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On August 13, 2019, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,778,181 of its then outstanding 115,563,638 common shares, representing 5% of the outstanding common shares. This NCIB expired on August 12, 2020 and the Company purchased 5,778,181 shares during the NCIB and cancelled them.

On August 13, 2020, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,489,272 of its then outstanding 109,785,457 common shares, representing 5% of the outstanding common shares. For the year ended December 31, 2020, the Company purchased 2,979,026 of its common shares for cash payments of $3,230,202. These common shares purchased by the Company have been cancelled. At December 31, 2020 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with the expiration on August 31, 2021.

(c) Common Shares Issued

(in thousands of dollars, except number of shares)	**Number of Shares**	**Amount**
Balance, December 31, 2018	115,563,638	131,432
Shares purchased under NCIB and cancelled	4,043,055	4,154
Balance, December 31, 2019	111,520,583	127,278
Shares purchased under NCIB and cancelled	2,979,026	3,230
Balance, December 31, 2020	108,541,557	124,048

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(g) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.6% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

18. Expenses by Nature

(in thousands of dollars)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Product and treating costs	1,311,767	1,124,597
Freight costs	34,667	32,857
Inventory write down	1,877	2,375
Warehouse costs	14,487	11,626
Salaries and benefits	103,880	57,954
Employee reimbursements and general office expenses	8,183	11,520
Foreign exchange expense (recovery)	(253)	(1,252)
Other miscellaneous costs	467	1,973
Amortization	11,369	10,791
Total	1,486,444	1,252,441

19. Finance Expense

The finance expense is comprised of:

(in thousands of dollars)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Interest on revolving credit facility and other short term liabilities	2,105	2,906
Interest on right-of-use asset leases and long-term debt	6,010	6,919
Amortization of financing costs	335	332
Total	8,450	10,157

20. Canada Emergency Wage Subsidy

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to a maximum per employee, to eligible employers based on meeting certain eligibility criteria. The Company determined that it qualified for this subsidy. The Company has recognized the government grant as a reduction to expenses as it has complied with the eligibility criteria and the subsidy has been received. Included in the statement of earnings and comprehensive income for the year ended December 31, 2020 is $2,918,672 relating to the CEWS program. The subsidy is not required to be repaid

21. Commitments and Contingencies

(a) Other Outstanding Legal Matters

The Company is involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

(b) Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency ("CRA") in the amount of approximately $42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by Taiga, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to Taiga's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

22. Capital Disclosures

The Company's objectives for managing capital are to safeguard Taiga's ability to operate and grow its business, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements and credit facility covenants. The revolving credit facilities and share capital are considered as the Company's capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets or consider other strategies to reduce debt.

The Company manages its capital by monitoring the balance between working capital and the revolving credit facility's borrowing base, which is a combination of accounts receivable and inventories less certain provisions. If the Company's borrowing availability falls below a certain percentage of the borrowing base, the Company is then required to maintain a certain interest coverage ratio. At December 31, 2020, the Company was in compliance with this requirement.

23. Financial Instruments

(a) <u>Nature and extent of risks arising from financial instruments</u>

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, market, interest, currency, liquidity, and commodity prices.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Taiga is exposed to credit risk on accounts receivable from customers. Taiga extends to its customers credit, which is generally unsecured. Taiga has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. Taiga regularly reviews customer credit limits, monitors the financial status of customers and assesses the collectability of accounts receivable. However, risk exists that some customers may not be able to meet their obligations and the loss of a large receivable could have a significant negative impact on Taiga's profitability.

The Company is also exposed to credit risk from the potential default by any of its counterparties on lumber futures contracts ((iv) below). The Company mitigates this credit risk by dealing with counterparties that are established major financial institutions. Taiga evaluates potential counterparties in advance of entering into such agreements and deals only with parties it anticipates will satisfy their obligations under the contracts.

(ii) Market risk

Market risk refers to the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Taiga utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving credit facility is predominately based on the prime rate. For the year ended December 31, 2020, if interest rates had been 100 basis points higher, based on the Company's average borrowing level related to its Facility, interest expense would have increased by approximately $460,000 (December 31, 2019 – increased by $724,000).

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument denominated in a currency other than the functional currency in which they are measured will fluctuate because of changes in foreign exchange rates. Taiga does not hedge its foreign exchange risk. Financial instruments denominated in US dollars subject to foreign exchange risk are as follows:

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Accounts Receivable	938	958
Accounts Payable	(7,158)	(6,782)
Revolving Credit Facility	(1,141)	(1,863)
Total	(7,361)	(7,687)

As at December 31, 2020, with other variables unchanged, a one percentage point decline in the year end value of the Canadian dollar would have decreased the foreign exchange gain by $73,000 (December 31, 2019 – increased gain by $77,000).

(iii) Liquidity risk

Liquidity risk arises through the excess of financial obligations over financial assets due at any point in time. Taiga's ability to make scheduled payments or refinance its obligations depends on Taiga's successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors.

Taiga's ability to maintain compliance with certain of its debt covenants under the Facility depends on meeting the required interest coverage ratio, which is subject to the Company's future financial and operating performance. The Company's ability to repay or refinance its indebtedness will also depend on its future financial and operating performance. The Company's performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond Taiga's control. The Company's ability to meet its future debt service and other obligations may depend in significant part on the extent to which the Company can implement successfully its business growth and cost reduction strategies. The Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realized.

(iv) Commodity Price risk

Taiga does not generally hedge its commodity price risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and anticipated customer demand. Although Taiga strives to reduce the risk associated with price changes by maximizing inventory turnover, Taiga maintains significant quantities of inventory, which is affected by fluctuating prices.

Taiga selectively utilizes Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity. These positions are immaterial relative to the Company's consolidated inventories.

(b) Fair value of Financial Instruments

The carrying amounts of accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The carrying amounts of the revolving credit facility and long-term debt approximate their fair values as these liabilities bear interest at variable market rates. The carrying amount of the subordinated notes approximates fair value as these notes bear interest at a rate that is consistent with a market rate.

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
Lumber futures	(196)	(132)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Derivative financial instrument assets and liabilities are classified as level 2.

24. Changes in Non-Cash Working Capital

(in thousands of dollars)	**December 31, 2020**	**December 31, 2019**
(Increase) decrease in accounts receivable	(51,263)	9,821
(Increase) decrease in inventories	(32,720)	(7,774)
(Increase) decrease in prepaid expenses	379	1,613
Effect of foreign exchange on working capital	(4,200)	(7,899)
(Decrease) increase in accounts payable and accrued liabilities	55,365	4,472
Total	(32,439)	233

25. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

Year ended December 31, 2020

(in thousands of dollars)	**Canada**	**United States**	**Total**
Revenue	1,232,368	356,755	1,589,123
Property, plant and equipment	90,867	28,513	119,380
Goodwill	-	9,957	9,957
Intangible Assets	-	14,422	14,422

Year ended December 31, 2019

(in thousands of dollars)	**Canada**	**United States**	**Total**
Revenue	1,045,264	253,858	1,299,122
Property, plant and equipment	95,517	27,914	123,431
Goodwill	-	10,158	10,158
Intangible Assets	-	15,836	15,836

During the year ended December 31, 2020, Taiga's Canadian operations had export sales of $244.3 million (December 31, 2019 - $183.0 million). These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

26. Management Compensation

Compensation of key management is recorded on the accrual basis of accounting consistent with the amounts recognized in the consolidated statements of earnings and comprehensive income. Compensation expenses for key management, which includes the Company's Board of Directors and Officers, were as follows:

(in thousands of dollars)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Salaries and other benefits	5,235	1,935

An amount of $7,940,544 is included in accounts payable and accrued liabilities relating to bonuses to key directors.

27. Subsequent Event

At the Company's board meeting on February 25, 2021, a dividend of $30,000,000 was declared, payable to shareholders of record on March 5, 2021. The dividend will be paid on March 19, 2021.